The MORTGAGE BANKER

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THE CHICAGO MBA SETS OUT TO ESTABLISH A FAIR PRACTICES CODE

How Our Largest Local Group Is Approaching the Problem

By HUGH RIDDLE

MORTGAGE banking has been greatly affected by the changes which our economic system has undergone during the last decade. Each change seems to have brought with it a new problem, and every year it becomes more difficult for the mortgage banker to perform the accustomed functions and still realize a profit.

The necessary functions have increased considerably. The cost of doing business is much greater than it was ten years ago. Where once it may have been possible to complete a transaction successfully for every five to ten seriously discussed, the cost of origination has now increased to a point where one member of MBA reported, at the 1938 Convention, that in his office only one loan was accepted for every 83 inquiries and solicitations. Whether or not this is typical, it illustrates clearly the universally increased expense involved in acquiring new business. Then, too, more is expected of a mortgage banker now than formerly. Loan submissions, appraisals, etc., are more detailed than they used to be. Tax service for investing institutions is more complicated and more expensive to furnish, and the increase in the number of long-term, monthly-payment loans with greater handling costs and no renewal commissions has done much to promote the growth of gray hairs on the heads of MBA members. These items, of course, are aside from the multiplicity of reports, taxes, etc., required of those doing business as corporations.

As the expense of doing business has increased, so the amount of business done has decreased; and that firm may consider itself fortunate which handles any fair proportion of the volume which it had prior to the depression. One important factor in decreased volume has been the lack of new building other than residential. Fairly large numbers of single-family residences have been constructed in various parts of the country, but there has been no real revival in the building of income properties, the financing of which, in the past, has generally been more lucrative. It has always been harder to finance single-family residences profitably because of the large numbers of transactions necessary to gain a respectable volume; and, for those who have not become approved FHA mortgagees, even this field has been greatly restricted by FHA competition.

THE Chicago Mortgage Bankers Association is one of the local groups investigating the possibilities of a fair practices code. Although a vast amount of preliminary work has already been done, the code itself, and the success the Association will have in administering it, are developments for the future. It is one of the most interesting and important activities now under way in the mortgage banking field. Mr. Riddle is a member of the Committee that has the work under supervision and here tells what has been done so far. He is a member of MBA, is in the mortgage business in Chicago under his own name, and writes a weekly column in* THE ECONOMIST *called "Boxing the Compass" which is devoted primarily to mortgage subjects.

Refunding of loans on existing income buildings has continued, but, because of age and obsolescence the number of these eligible for loans is constantly decreasing. Even those existing buildings which are eligible for loans are difficult to handle because rents are lower in most areas and this, together with the constantly increasing age of the buildings, has contributed to subnormal values, thus restricting the amount which can be loaned. Acceptable loaning territories, too, are fewer, because of the tendency of investors to restrict their activities altogether to choice locations, and also the depression-born tendency for formerly good areas to depreciate and become obsolete while no new-built neighborhoods (other than residential) have developed to take their places.

Faced with an increase in his responsibilities and duties and the cost of doing business, and with a decreased volume of business available, the mortgage banker must also meet greater competition in his field than ever before. Lower yields on other types of investments have forced new funds into mortgage lending, so that, while the legitimate demand for real estate loans

has fallen off, the supply of funds available has greatly increased. This has driven down interest rates and commissions and has made it difficult to secure adequate servicing fees. Specifically, much of the competition for the orthodox mortgage bankers has come from trusts and trust companies and from branch offices of insurance companies dealing directly with the public.

Practices Resorted to Which Only Aggravate Conditions

Smaller volume, new competition, lower rates, small-commission propaganda, and direct lending have all contributed to the general hysterical competition for that business which remains and have reduced net income almost to the vanishing point. Mortgage houses have also suffered greatly from the fact that, in a falling market, there is a lag between the speed with which total costs to borrowers have been reduced through competition and the speed with which investors have been willing to reduce their minimum required net return. As investors have only reluctantly reduced interest rates to conform to market conditions, the mortgage man has been squeezed and the difficulty of securing adequate payment for originating and servicing loans has been considerable.

Faced with such underlying conditions as these, mortgage bankers, in their struggle for continued existence, have unconsciously resorted to practices tending to aggravate the very conditions which cause most of their difficulties. Normally a mortgage house has a pretty good idea of its costs, but when conditions change too fast, adjustment becomes difficult and the tendency is to "meet the competition" regardless of cost in the hope that volume will provide the solution to all difficulties.

In a large city, where all types of mortgage lending offices compete in large numbers, control by the individual firm is particularly difficult. In recognition of this, the directors of the Chicago Mortgage Bankers Association, in preparing plans for the year 1938-1939, decided to appoint a Fair Practices Committee with the thought that cooperation should bring about an improvement which could not be accomplished by the individual alone. In general, the objects of this action were:

1. *To eliminate such of the above conditions which are unhealthy for the mortgage business and the general public.*
2. *To eliminate such competitive action on the part of mortgage bankers as might unduly stimulate the downward trend in rates; that is, over-enthusiastic advertising and offers to the public of rates which cannot actually be obtained.*
3. *To establish uniform practices and methods of charging for services.*
4. *To prevent net income from becoming so small as to interfere with the proper performance of the trust functions of the mortgage banking business.*

As chairman of the committee the directors appointed George W. Springer, whose years of experience as an insurance company correspondent in Chicago, combined with his aggressiveness, made him a strong leader for a difficult job. Other members of the Committee are Byron V. Kanaley, Earle G. Krumrine, Bester P. Price, and the writer. George H. Dovenmuehle, President of the Chicago Mortgage Bankers Association, is an ex-officio member and has taken an active part in the work of the committee to date. With one exception, all these are also members of the Mortgage Bankers Association of America.

Before Anything Was Done an Exhaustive Study Was Made

At the very beginning, it became obvious that the first need of the new committee, working with no specific instructions, would be information on which to base its activities. It needed, first, to know what similar work was being carried on by mortgage banking groups in other parts of the country and with what success, and, also, it necessarily had to determine to what extent the members of the Chicago Association wished to cooperate with each other and along what lines they felt it was most important to proceed. Before the first meeting, the Secretary of the Association directed inquiries to local mortgage bankers associations in all parts of the United States, the replies to which indicated that the problems faced in Chicago, though often greater in degree, were much the same in character as those faced elsewhere; and that many organizations were attempting to eliminate destructive practices through cooperation. In general. the firms in smaller cities have found themselves cooperating without great difficulty and have been able to keep their troubles at a minimum without specific action by means of regular and frequent discussion meetings. Larger cities have found this difficult and have begun to work on agreements to govern specific practices. In one or two instances these have met with considerable success, although, on the whole, the movement is proceeding slowly and is too recent for intelligent appraisal.

The first meeting of the Fair Practices Committee in Chicago took place March 7, 1939. After discussion of the general aims of the group and the work being done elsewhere, it was decided to prepare a questionnaire for submission to all members of the Chicago Mortgage Bankers Association. Space prohibits a detailed discussion of the answers to the questions. Suffice it to say that an overwhelming majority felt that the Chicago Mortgage Bankers Association, through its Fair Practices Committee, should attempt to establish a Code of Ethics covering forms of compensation and methods of obtaining new business. A large majority also felt that advertising by members should not refer to interest rates or commissions and that efforts should be made to curb the practice of quoting unobtainable terms to borrowers in order to secure applications, knowing that same would have to be modified at a later date. Considerable interest was also shown in the "curbstone broker" problem, in the protection of firms holding a signed loan application, and in the question of securing the cooperation of those who are doing a loan business and are not members of the Association.

Recognizing that success could only be achieved with the backing of the Association members, the committee decided to concentrate on those points where there was a clear majority and recommended to the Board of Directors that it be authorized to proceed with the preparation of a Code of Ethics along these lines. The directors authorized the Committee to begin preparation of such a Code and, feeling that it would be difficult to establish a definite schedule of commission charges, suggested instead that a minimum commission charge, based on the averages shown in the replies to the questionnaire, be set up. The Code also provides for the discontinuance of no-commission advertising and is to direct attention specifically to the present high cost of doing a first mortgage business.

A Code Will Be Devised and Submitted to Members

The individual members of the committee, having given considerable thought to the subject matter of the Code, the next step will be for them to meet in the near future and begin its actual preparation. Upon completion, it will then be

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MORTGAGE MEN ARE ADVISED TO POST THE SIGN "STOP LOOK LISTEN"

We May Be Doing Some Things Today We'll Regret Later

By FRANK WOLFF

THIS seems to be a good time to recall the gag of 1933 about the mortgage man who made the classic remark that "Never in all my years of lending have I made a bad loan but many of my loans turned out badly after I made them." The humor of that trite saying should not obscure its underlying truth.

Good loans now are hard to get. Competition is keen. Every one is fighting hard for needed volume. The time has arrived when it is easy to make mistakes, to make "good loans that are likely to turn out badly after they are made."

Isn't it time to survey our lending activities? I can cite many recent cases of loans that should not have been made. I have no doubt that every one reading this article knows of similar instances. Take the case of the insurance company employee who made a $12,500 loan to an operative builder on a newly-constructed home that sold a few weeks later for $11,500. When the sale was closed, the operative builder had to pay off $1,000 principal, the buyer assuming payment of the balance. Or the case of another insurance company making a $15,000 twenty-year loan through a broker on a home being purchased for $18,000, with $2,000 worth of new rugs and draperies being included in the purchase price. Only the other day, our appraiser gave a value of about $22,500 to a prospective buyer of an apartment house on which a loan broker, representing an insurance company, recommended a loan of $18,000, with a fifteen-year amortization. There is also the case of a federal building and loan association that took two $6,900 O. B. commitments away from an FHA approved mortgagee by issuing commitments for non-insured loans of $7,400 each. Another building and loan association actually loaned $2,500 on a house purchased for $2,350 upon the agreement of the purchaser to spend $150 for repairs. Then there is the case of the building and loan association that refinanced, with an uninsured loan, an FHA loan that had, within eighteen months, been three times posted for foreclosure sale — and was so posted when the refinancing was done! Another building and loan association refinanced a loan in default as to taxes, interest and principal by a maker who had recently taken bankruptcy. There is the case of an insurance company that loaned $11,000 at 4½ percent interest on a home being purchased for $11,500. And there is the case of the insurance company that, after about twelve months operation in one locality, already had two pending foreclosures out of the few non-insured loans that it had made.

MR. WOLFF *is the first "repeat contributor" in the six months* THE MORTGAGE BANKER *has been published. We published his "Will Interest Participation Entirely Replace Loan Commissions?" in the March 1st issue. Mr. Wolff is President of W. K. Ewing Co., Inc., of San Antonio. In this article he calls attention to some of the current problems in the mortgage field and warns that the keen competion existing today may lead to some of the more serious difficulties that followed the last great period of building in this country. He feels that now is a good time for an "inventory of mortgage practices" — with an elimination of the bad ones.*

These are but a few of many instances that can be cited of recent loans and commitments actually made. They are indicative of current operations that are sure, in time, to bring an abundance of grief to the lenders. Should we not have learned from the experience of the past ten years that these things cannot be done without disastrous results?

All of us are lending "other people's money". This is true of the commercial banker, the mortgage banker, the insurance company, the building and loan or trust company executive, or the correspondent or broker for these institutions. It is true regardless of whether or not we put our own money into loans before we sell them to clients. Into those loans goes the money of other people for whom we are, directly or indirectly, trustees. As such, we assume the obligation to exercise the utmost caution in handling funds intrusted to our care or loaned through our activities. We cannot avoid that responsibility no matter how we may be supervised. Federal and State commissions do not absolve us of this obligation, nor does the fact that some correspondent company executive lends his approval. We, who are actively engaged in lending that money, bear full responsibility even though it be shared with others.

The difficulties we face are created largely by the great surplus of lendable funds and the correspondingly low interest rates. This, however, furnishes no excuse for laxity or recklessness. It is far wiser to leave money idle than to lose it. It is safer to do a smaller volume with a clear conscience than a large volume with remorse. If we would keep our self-respect and avoid sleepless nights, now is the time to stop, look, and listen.

And while making this survey we might well look into areas where we are not now lending. One of our difficulties arises from the fact that most lenders are concentrating their activities in a very limited field. We must all agree that owner-occupied residential properties offer good security. All lenders are competing for this type of loan to such an extent that interest rates have been forced to unreasonably low levels for long-term obligations. On the other hand, there are other types of property where the owners find difficulty in securing loans except by paying exorbitant fees. For instance, it is difficult to find any one interested in large hotel loans. The usual comment is that in the event of foreclosure a management problem would result. But why, may I ask, should a large insurance company be fearful of such an undertaking? As a matter of fact, what large hotel owner actually does his own managing? In the hectic days of the new era many bad hotel loans were made. They caused lots of grief because they were bad loans to begin with. But it seems foolish because of this past experience

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Association ACTIVITIES

★ NEWS OF WHAT'S HAPPENING AMONG MBA MEMBERS AND OUR LOCAL ASSOCIATIONS

BYRON T. SHUTZ OF KANSAS CITY NOMINATED PRESIDENT

Byron T. Shutz of Kansas City has been nominated as the next President of the Mortgage Bankers Association of America to succeed S. M. Waters of Minneapolis. The announcement was made at the Board of Governors meeting in Chicago, June 16th, by A. D. Fraser, President of A. D. Fraser, Inc., of Cleveland, who headed the nominating committee this year and who served as President for the 1937-1938 term. Other members of the committee were Ennis E. Murrey, President of The First Mortgage Corporation of Nashville, and MBA President in 1928-1929, and James W. Collins, President of The Tracy Loan & Trust Company of Salt Lake City, who was President in 1936-1937.

Thus, once again, MBA turns to the Middle West for its highest executive officer and to a man who has been particularly active in Association affairs. Mr. Shutz, not yet 40 years old, will be second youngest president of the Association, which last year celebrated the 25th anniversary of its founding. Only W. Walter Williams, President of Continental, Inc., of Seattle, Wash., and MBA President in 1933-1934, was younger at the time of his election.

Mr. Shutz is Executive Vice President and Director of Herbert V. Jones & Company of Kansas City. He is a director and vice president of Hotel President, Inc., and a director of Crown Drug Company, the Kansas City Chamber of Commerce, the Santa Fe Savings and Loan Association, the Kansas City Provident Association and the Kansas City Chapter of the Boy Scouts of America. He is also a member of the Lions, University, Kansas City Country and Kansas City clubs, and is a Shriner.

He entered the real estate and mortgage banking field in Kansas City in 1919 after leaving the University of Kansas. He was elected a director of the Kansas City Real Estate Board in 1927 where he served as first vice president and chairman of the mortgage division. He served as President of the Real Estate Board in 1934 and 1935, the youngest man ever to hold that position. In 1936 he helped organize, and was elected first President of the Missouri Real Estate Association, and served two terms.

NEXT MBA HEAD

Byron T. Shutz

He was elected to the Board of Governors of the Mortgage Bankers Association of America in 1933 and has served as a member of its executive committee and as Vice President. He has made special studies of the Missouri tax structure and has served as a member of the tax committee of the National Association of Real Estate Boards for several years. He is married, has three children and his hobbies are "golf, hunting and fishing."

Mr. Shutz will be the 25th president of the Association, only one president having served two terms since organization in 1914.

The Chicago Mortgage Bankers Association recently held its fifth annual golf tournament at the Glen Oak Country Club. L. A. Clarahan, H. C. Eigelberner, Robert Jacobsen and L. D. McKendry composed the committee who arranged the affair.

NEWS OF THE LOCALS

NEBRASKA MBA

The Nebraska Mortgage Bankers Association last month sponsored, in co-operation with two divisions of the University of Nebraska, the fourteenth annual "Nebraska Land Valuation and Management Short Course" at Lincoln. This is one of the most interesting activities with which an MBA local group is identified. The first day was given over to an actual inspection of a farm east of Syracuse, Nebraska, and each one attending the meeting was asked to prepare a written report of a suggested management plan, his appraisal value and what building repairs he would recommend. Special committees prepared more detailed reports. Next day was devoted to discussions of various subjects with several speakers appearing in a round-table forum at each session. Charles W. Mead, President of the Nebraska Bond & Mortgage Corporation of Omaha, and a member of MBA's Board of Governors, spoke at the "Appraisal" session. Other sessions were concerned with "Field Arrangement and Cropping Plans," "Repair Programs," and "Income Possibilities under Different Management Systems." Other MBA members who also spoke are Bruce Russel of Farmers National Company, Omaha; G. K. Baumgartner of First Trust Company, Lincoln; E. B. Drake, Bankers Life, Lincoln, and T. R. Richardson, Western Securities Company, Omaha.

Mr. Mead writes that this constitutes the Nebraska MBA's major activity until Fall.

MINNEAPOLIS MBA

The Minneapolis Mortgage Bankers Association had a meeting on June 20th at which S. M. Waters, MBA President, presided and Raymond Sletto, of the sociology department of the University of Minnesota, spoke. This active local association now has 28 members.

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WORK BEGINS ON MBA's 26th ANNUAL CONVENTION

MBA AGAIN SPONSORS BUILDING EXPOSITION

The Mortgage Bankers Association of America will again sponsor, for the third consecutive year, the "Exposition of Building, Industry and Services". Invitations .to leading companies and associations whose products and services pertain to building and the financing of building, are now going out. The exhibit will follow those of the past two years and run concurrently with the Convention. So far, 18 exhibitors have accepted our invitation to display:

American Fore Insurance and Indemnity Group
The Tile-Tex Company
The National Cash Register Co.
American Stove Company
The Sherwin-Williams Company
American Mat Corporation
Hartford Fire Insurance Company
Westinghouse Electric & Mfg. Co.
Portland Cement Association
Kempner Insurance
E. I. DuPont de Nemours & Company
Detroit Steel Products Company
The Home Insurance Co. of New York
General Electric Company
American Title Association
Bonded Surveyors of America, Inc.
Frigidaire Division of General Motors
Greater Detroit Home Builders Assn.

BEGINS UNIQUE SALES PLAN

The Detroit Bank, members of MBA, in cooperation with several other banks and insurance companies in that city, has started an unusual campaign to dispose of used houses. An extensive full-page advertising campaign is being run in the real estate sections of Detroit newspapers featuring "Plus Value Homes." It is said that the institutions felt that some added stimulus was needed to compete with the publicity accruing to new house construction.

FRANK WOLFF'S ARTICLE

(*Continued from page* 3)

to classify all hotel loans as bad. If the hotel itself is an economically-sound undertaking, a conservative, properly-safeguarded loan against it should be a desirable investment, free from excessive risk. It is hard to justify such generalizations in the lending field. After all, each loan application is based upon an individual undertaking. It should be analyzed as such and approved or disapproved on its own merits. Looking at loans in this light may broaden our field of lending into less competitive and, therefore, more desirable fields. Here, too, we may stop, look, and listen.

DMBA CONVENTION HEAD

Charles H. Sill

Upon Charles H. Sill, Executive Vice President of Drennan & Sill, Inc., of Detroit will fall an important part of the responsibility for making MBA's 26th annual convention in Detroit this year one of the best. His appointment as Local Convention Chairman was announced by President Waters at the Board of Governors meeting. Mr. Sill will have under his supervision this year the many various committees that combine to make up the working organization for MBA annual meetings. Their work begins months in advance of the opening session; and the work of the Convention Chairman begins some months before that, and continues at a high speed until the annual Banquet and Ball. Mr. Sill has been in business in Detroit for 25 years. He was born in Milan, Michigan, in 1891 where he attended school until graduation. He studied at Alma College and the University of Michigan and started in the building business with his father, Homer C. Sill, in 1915. He formed Sill & Hadley, Inc., in 1931 to handle institutional properties, but severed connections with the firm in May, 1935. In 1937, George W. Drennan and Mr. Sill formed Drennan & Sill, Inc., a realty company of which he is now Executive Vice President. He has been active with the Detroit Mortgage Bankers Associaton for several years.

MBA this year enters its second quarter century. To celebrate this milestone, our Detroit members assure us we will have one of the best annual conventions this Association has ever held. Preliminary plans for this meeting are already well under way. The committee chairmen are: Registration, H. G. Woodruff; Transportation, Earl K. Akey; Golf, Fred J. Beyer; Reception, Walter C. Gehrke and Melvin F. Lanphar; Finance, Donal J. Jenkins; Entertainment, Lloyd N. Wheeler and Robert B. Hassett; Publicity, Col. Henry H. Burdick; Exhibit, Frank I. Kennedy, and Ladies Entertainment, Mrs. Roy De Hart.

The Convention will open Wednesday, October 4th, and continue on for three days. Already two of the most prominent men in the industrial world have consented to address the assembly. There will be the usual insurance company correspondents, bank and trust company, and farm mortgage group meetings. In addition this year, special luncheon meetings for FHA lenders are being arranged. Watch the next six issues of THE MORTGAGE BANKER for complete reports of the 1939 Convention. They will appear here as the plans develop.

LOCAL MBA FOR DALLAS FORMED; SEEK ETHICS CODE

Announcement is made of the formation of the Dallas Mortgage Bankers Association with Porter Lindsley, owner and manager of J. W. Lindsley & Company, as president; William S. Bradley, president of the Mortgage Investment Corporation, as vice president; and D. L. Treadway of Southland Mortgage Company, as secretary-treasurer. Aubrey M. Costa, president of the Texas Mortgage Bankers Association, writes that the new group is "now making a very determined effort to get a code of ethics put into actual practice." Meetings are to be held the second and fourth Tuesdays of each month.

Lon Worth Crow, Jr., vice president of Lon Worth Crow Company, Miami, and secretary-treasurer of Mortgage Bankers Association of Greater Miami, reports that this southern group is planning no meetings this summer. As in other parts of the country mortgage men of Greater Miami "are undergoing a very bitter period of competition for FHA loans."

EXPERIENCE AND SOUND JUDGMENT WILL AGAIN BE AT A PREMIUM IN MORTGAGE BANKING

An Appraisal of Some Present-Day Appraisal Practices

By J. WILSON SWAN

I RECENTLY heard an experienced mortgage man speak on "What it takes to make a good mortgage loan". He is one of the best qualified mortgage men I know. His experience in the mortgage field extends over forty years. He declared that he was at a loss to know what to do with the knowledge that he had obtained from long years of experience because of the untried theories that have been developed in this day of government sponsored lending.

In my opinion, every honest and experienced mortgage man knows that today the great bulk of mortgage lending is being done without the aid of any *sound* appraisal rules. So-called "values" are being placed on properties, not for the purpose of arriving at their true worth, but to justify on paper exhorbitant loans.

No one yardstick ever has been or ever will be devised which can always be applied in arriving at the amount of loan to be made on a given piece of real estate. *Innumerable* yardsticks must be used. If good experience is to result, in the last analysis *sound judgment* must be applied, and this can only be obtained after long years of experience.

Consider these well known yardsticks:

1. *Sale price is the test of value.*
2. *Net income is the test of value.*
3. *Reproduction cost is the test of value.*
4. *The borrower's ability to pay.*
5. *The probable future of the property and location.*

There are dozens of other rules, all valuable to the appraiser, but none of them the *sole* test.

From handling a volume of mortgage loans in excess of $60,000,000 over a period of nearly thirty years, experience has brought to my mind some very definite conclusions. From 1918 to 1925 we kept a record of the sale price of every property on which we had an existing loan. We compared those sale prices with our appraisals and found that during the eight-year period sale prices exceeded appraisals by approximately 15 percent. We were then going through a period of inflated prices. Had we used "sale price" as the only yardstick for figuring value we would have been in serious error, as following years demonstrated. That being true, exactly the opposite line of reasoning follows when the pendulum swings the other way.

Mr. Swan is Secretary-Treasurer of the Braniff Investment Company of Oklahoma City and a member of MBA. He disagrees with some of the points Stuart C. Frazier brought out in his two-part article in our May 1st and May 15th issues, particularly the latter on "The Actual Value of Any Property Is What Some Buyer Will Pay for It." He sets forth here his reasons why.

I believe every experienced mortgage man knows of many instances where properties have sold for far more than true value and vice versa. "Sale price" can be no more the *sole* test of value in real estate than it can be in the stock market.

When the mortgage loan appraiser goes out to appraise a property what must be his first consideration? Isn't it this "What amount of money may be safely loaned on this property without danger of serious difficulty or eventual loss to the investor?" It is not his job to be an *ultra conservative* appraiser and reject many loans that should be made. Nothing is easier. Neither is it his job to attempt to set up fictitious appraisal figures for the purpose of justifying a certain amount to be loaned.

If, through the years, he is to build up a satisfactory business and if his investors are to have satisfactory experience, he must know how to arrive at market value, reproduction value and income value, but he must also be a prognosticator of the future. He is not lending for *today only*. Whether his mortgage loans turn out good or bad will depend not only on his ability as an appraiser but also upon how well he judges the future.

As has been said many times, *appraising real estate is not and never will be an exact science*. I, for one, still believe that the day will return in our business when *experience* and *sound judgment* acquired through years of effort, will again take their places in the mortgage business to which they are entitled.

HUGH RIDDLE'S ARTICLE ON CMBA CODE PLAN

(*Continued from page 2*)

submitted to the Board of Directors and later to the membership at large for discussion and debate and such amendment or modification as may seem advisable.

No one recognizes the obstacles which lie in the path of the Fair Practices Committee more clearly than do its members. It will not be easy to set up standards of practice on which all members of the Association will be willing to agree, nor will it be a simple matter to provide the necessary machinery to administer the Code once it has been established. The cooperation of non-members also presents a problem, as do numerous other questions which have not yet been solved. Nevertheless, it is felt the mere appointment of the Committee has had some beneficial effect and, while all the competitive problems of the business will not be solved in the immediate future, its members are confident that, with the use of tact and perseverance, much can be accomplished toward internal regulation and self-discipline. One has only to consider the successes achieved by various real estate boards along the same lines to realize that the job can be done.

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57 NEW MBA MEMBERS

Byron V. Kanaley, President, Cooper, Kanaley & Co., Chicago, who heads the membership committee this year, made a report at the June Board of Governors meeting on results since the 1938 Convention. The report shows 57 new members, including 12 banks, 2 title companies, 6 life insurance companies, 1 local association, 33 insurance company correspondents and 3 associate members.

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S. M. WATERS..........*President*
FRANK C. WAPLES..........*Vice President*
GEORGE H. PATTERSON..........*Secretary-Treasurer*

JULY 1, 1939

MORTGAGE PROBLEMS

What principal problems confront mortgage bankers today? What are they thinking about? What do they want to see accomplished in their business?

These questions can be answered in part by the material in this issue of THE MORTGAGE BANKER. Fair practices, making reasonable and sensible competition codes possible among mortgage men in a given community, and some standardization of rates and commissions appear to be among those problems of most direct concern to mortgage men today.

Mr. Riddle's article is the first comprehensive discussion of this subject that we have yet carried and Mr. Wolff's comments touch upon some of the same matters in a different way. Then, as you read the brief reports from several of our local associations, you will no doubt be impressed by the fact that mortgage men everywhere are hoping to bring into their business more standardization than has ever been possible before. The goal that many of our forward-looking members have set for themselves may seem rather difficult of accomplishment but it is only through consistent effort that any of these difficulties can be removed. There have always been an abundance of reasons offered why the mortgage business could not be "regulated". Yet, the majority opinion today seems to be that some sort of constructive regulation, to benefit everyone in the business, is vitally needed.

Mortgage men are interested as never before—and that alone is half the battle.

DETROIT MBA

The Detroit Mortgage Bankers Association is another local group interested in commission rates and fair practices. At a recent meeting, the discussion on the subject was led by Robert B. Hassett, Sr., and members expressed their opinions. The result was that a permanent committee has been appointed to investigate the possibility of establishing minimum commission rates for making loans. It is thought that later the principal function of this committee will be to sit as an arbitration board to settle disputes.

The next meeting of DMBA listed Frank I. Kennedy, President of the Abstract & Title Guaranty Company, as the speaker and his subject was "Clearing Title and Closing Mortgages". Three important bills affecting mortgage banking, directly and indirectly, were introduced in Michigan this year but none of them passed.

NASHVILLE MBA

Herschel Greer, Secretary of the Nashville MBA, and associated with the Union Trust Company of that city, writes that his group has also been striving to secure some uniformity of commission practices among mortgage men. So far, as has been the case in many similar efforts, a few have held out against an agreement as to the amount of brokerage and service fees to be assessed borrowers. He adds, however, that the Nashville MBA, at the last session of the State Legislature was able to secure a reduction of a proposed tax to be assessed mortgage companies. It was originally planned to assess a company $600 if there were more than five executives or agents, and $300 if less than that number. The tax was reduced one-half.

OKLAHOMA MBA

The Oklahoma Mortgage Association has also suspended their regular meetings until Fall but Raymond McLain, Jr., Secretary-Treasurer, reports that this has not deterred the activities of the group's Committee on Commissions and Fair Practices. The Oklahoma group publishes a monthly bulletin called *Omagram* which has proved an exceedingly helpful publication. Other locals will do well to write for a copy as a guide for a similar effort by their own organizations.

The Oklahoma legislature recently adjourned after passing a real estate licensing law. Bills defeated—after providing "a good case of jitters," according to our Oklahoma correspondent—were a mortgage moratorium law, a new homestead exemption bill, another to establish a 2 percent transactions tax and a housing law.

At a recent Oklahoma MBA meeting, Paul Vollmar of Western and Southern Life Insurance Company, spoke on the mortgage business from the standpoint of the home office investor. The meeting was in Tulsa with 44 attending, 14 of them from Oklahoma City. The last meeting of the season was in Oklahoma City with the commission problem being "dragged out for a very thorough and frank discussion."

Inasmuch as commissions and fair practices are vitally important topics now with most mortgage men, other locals may wish to write the Oklahoma chapter for further information as to what this Association feels it has accomplished in solving these problems.

Albert Mager, J. W. Swan, E. L. Gragg and Raymond McLain compose this Commissions and Fair Practices Committee.

Rupert Hall, incidentally, offers some sound advice in the last issue of *Omagram* when he advises members "to join the national."

Howard Moffitt is President, W. J. Bashaw and Robert Adams are First and Second Vice Presidents, respectively. Directors include G. H. Galbreath, J. W. Swan, Albert Mager, C. B. Sleeper, Luther Miller, E. L. Gragg and Raymond McLain, Jr.

The Oklahoma group now has 25 members, seven having been added this year.

SOUTHERN CALIF. MBA

And speaking of local MBA activities, Wallace Moir, Secretary-Treasurer of the Belmont Company in Los Angeles, writes to say that the Southern California Mortgage Bankers Association will hold no more meetings until Fall but hopes to "have a representative group attend the national convention in Detroit in October." Joseph A. Walton, the Mortgage Guarantee Co. of Los Angeles, is President of the group, H. F. Whittle, H. F. Whittle Investment Company and a member of MBA's Board of Governors, is Vice President. Other directors include C. J. McLaughlin of Los Angeles, R. W. Caspers and Walker Smith of Pasadena, John M. Marble of Los Angeles, and C. A. Larson and N. V. Alison of Beverly Hills.

REVIEW

The NAREB stepped into a new role in opposing further appropriations to USHA . . . it is "aware of the human motives" that prompted USHA's creation, but says funds already appropriated haven't been spent, that federal encouragement of local action would be much better . . . NAREB's past experiences have been on the other side of the fence: a bigger FHA, a federal mortgage bank, etc. . . .

* * * *

Non-farm foreclosures in the first four months this year were down 12.6 percent but the trend is narrowing . . . those of the first four months of 1938 were down 22 percent over the same period of 1937 . . . We have a five-page summary of the Twentieth Century Fund's study of about how "it costs considerably more to distribute goods than make them" which we will send any member interested . . .

* * * *

General Foods Corp. sent some inquiring reporters out to learn what people are thinking about . . . they asked "If somebody gave you $5,000, what would you do with it?" . . . 32 percent said they would invest it in real estate, 14 percent would buy a home, 3 percent a farm . . . The building-and-loan people would like to see baby bond sales stopped and said so to the Wagner-Steagall committee . . . New York woke up, but too late, to find two drastic bills affecting real estate securities already passed . . . Significantly, one of the first things Nationalist Spain is attempting in rehabilitation is low-cost home construction . . . One group has already been started and they are looking for the money to build 220,000 houses over the country . . . The National Resources Committee's monograph, analyzing residential construction from 1900 to 1937, with forecasts as far in the future as 1960, can be had for ten cents by writing the Superintendent of Documents in Washington. . .

* * * *

Des Moines dispatches indicate that the State Insurance Commissioner is "bringing the insurance company land problems to the fore" . . . State officials said they were contemplating tackling the tenancy problem by requiring these companies to "observe the law limiting their land tenure" to three to five years duration . . . Companies cannot hold land longer than five years except at the discretion of the Commissioner and no permission has been given so far . . . These companies own about 7 percent of Iowa farm land, it is estimated. . .

* * * *

Real estate owned by the savings-and-loans declined 7 percent last year to the lowest figure since "depression days" . . . Last year, the real estate account of all savings-and-loans was about a billion dollars and represented 17.7 percent of total resources of these institutions. . .

* * * *

Construction began every day during May on more than 500 new single-family houses under FHA inspection . . . FHA officials are optimistic about new building for the remainder of 1939, as evidenced by Mr. McDonald's article for *The Mortgage Banker* . . . Best gains in FHA business this year have come from the Middle West . . . and that is exactly what the recent MBA survey showed.

MBA GOVERNOR

Herold G. Woodruff

Herold G. Woodruff of Detroit is a native of Michigan and has resided in Detroit since 1912. He attended Cleary College at Ypsilanti, Michigan, and graduated from Detroit College of Law in 1917.

From 1917 to 1922 he was with the Peninsular State Bank as appraiser, and then joined the Union Trust Company, which later became the Union Guardian Trust Company. He was in charge of the Property Management Department and was later advanced to Vice President, a position he held until 1933. He is now a mortgage correspondent and managing agent for life insurance companies operating under the name of H. G. Woodruff, Inc.

He was a Lieutenant of Infantry during the World War. He is a past President of the Detroit Mortgage Bankers Association and was elected to the Board of Governors of the Mortgage Bankers Association of America in 1935.

Mr. Woodruff will take an active part in MBA's 26th Annual Convention and will head the registration committee.

SURVEY SHOWS BILLION IN LOANS PAST 4 MONTHS

Latest figures in the nation-wide survey, now under way by the Federal Home Loan Bank Board in cooperation with the Mortgage Bankers Association of America and others, shows that 396,158 home mortgages, amounting to $1,087,822,000, were recorded in American towns and cities during the first four months of this year. The survey now has reached a point where it has become broadly representative of just what mortgage lending is being done and what type of lenders are doing it. For earlier articles see The Mortgage Banker for April 1st and May 15th.

From March to April, the savings-and-loans and the mutual savings banks showed gains of about 3 percent each while banks and trust companies showed a drop of about 8 percent.

First four months' mortgage activity, as shown in the survey, indicated the running as follows:

Type of Lender	*No.*	*Amount*	
Savings-Loans..	129,124	$ 322,148,000	30%
Ins. companies..	19,341	97,137,000	9%
Bks., Tr. Co.'s	85,673	273,780,000	25%
Mut. Sav. Bks.	10,075	34,486,000	3%
Individuals	105,047	204,263,000	19%
Others	46,898	156,008,000	14%
Total	396,158	$1,087,822,000	

New family dwelling units constructed or projected in all cities of 10,000 population or over in the United States during the first four months numbered 87,202 (Secretary Perkins says 77,000 in the first three months) and were valued at $309,597,100 as compared with 65,581 units, aggregating $228,187,300 in the same period of 1938. April units built or projected were listed as 21,442 as compared with 14,779 in April, 1938. Building material prices stood at an index of 89.6 in April, a decline of 0.2 percent from March and 1.8 percent from April, 1938.